GDP growth of 6.5-7% for FY25 still feasible: CEA

EXUDING CONFIDENCE. We shouldn't over-interpret the Q2 slowdown, says Nageswaran

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Ahead of Friday's crucial Monetary Policy Committee (MPC) announcement, the Finance Ministry has reaffirmed its confidence in its earlier GDP growth forecast of 6.5-7 per cent for 2024-25, despite a slowdown in Q2 growth to a seven-quarter low of 5.4 per cent.

Noting that the Q2 GDP growth print of 5.4 per cent was the first estimate, V Anantha Nageswaran, Chief Economic Advisor, indicated that the number could even be revised upwards.

ALL EYES ON RBI

Nageswaran's remarks are significant as the RBI is widely expected to reduce its GDP growth projection for 2024-25 from the earlier 7.2 per cent in the wake of the recent Q2 slowdown.

The Finance Ministry's optimism on growth prospects may have a persuasive value with the Central bank in the latter's growth estimate revision on Friday, say economy watchers.

"We shouldn't over-interpret the second quarter slowdown. In reacting to this number, we shouldn't throw the baby with the bath water because the underlying growth story remains intact," he said at the Bharat@100 Summit in the Capital, which was organised by Assocham.

"If one were to run the Indian economy against a checklist, the health is quite robust if it comes to external debt as a share of GDP, non-performing assets in banking system in control and overall headline inflation being well behaved (except food items)," Nageswaran said.

LOOKING UPBEAT. Chief Economic Advisor V Anantha Nageswaran with Assocham President Sanjay Nayar during the Assocham's Bharat@100 Summit in New Delhi on Thursday PTI

GLOBAL HEADWINDS

He said the global backdrop is far from conducive and stressed on the need to pull domestic levers to bolster overall GDP growth.

"There is going to be lower economic and trade growth globally. Trade restrictions will be the norm rather than exception and that will also affect investment flows. Geopolitics is going to be fragmented," Nageswaran said.

The CEA highlighted that private sector profitability had been impressive, up 4x in the last four years. However, compensation to employees had become weaker.

"Not paying employees well will be self-destructive to corporates themselves and enough incomes won't be there among the employees to fuel demand and buy products produced by corporates."

Nageswaran also said that private sector investments in R&D need to go up. "Corporates must also make India a byword for quality. They should abandon the use of word 'jugaad'. We need to think big."

He highlighted the "negative working capital issue", noting that the small and medium enterprises are now funding the working capital of large corporates.

"India Inc needs to reflect on the negative working capital", he said. On consumption, Nageswaran said that consumption growth in the economy was steady and rural consumption, in particular, had done well.